

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FLEMING-MASON RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR AN)	
ORDER AUTHORIZING SAID CORPORATION TO)	
BORROW ONE MILLION EIGHT HUNDRED AND THIRTY)	
(\$1,830,000) THOUSAND DOLLARS FROM THE)	
UNITED STATES OF AMERICA, AND TO EXECUTE A)	
NOTE FOR SAID SUM TO THE UNITED STATES OF)	
AMERICA, AND TO BORROW FROM THE NATIONAL)	CASE NO.
RURAL UTILITIES COOPERATIVE FINANCE)	10255
CORPORATION, THE SUM OF EIGHT HUNDRED)	
THOUSAND (\$800,000) DOLLARS, AND TO EXECUTE)	
A NOTE FOR SAID SUM TO THE NATIONAL RURAL)	
UTILITIES COOPERATIVE FINANCE CORPORATION)	
TO PROVIDE FOR THE CONSTRUCTION AND)	
OPERATION OF ADDITIONAL ELECTRIC)	
DISTRIBUTION AND SERVICE LINES)	

O R D E R

Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") filed its application on May 16, 1988 for a certificate of public convenience and necessity to construct certain improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$2,630,000 and are to be financed by a loan of \$1,830,000 from the Rural Electrification Administration ("REA") and a loan of \$800,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

On July 15, 1988, the Commission issued an Interim Order granting Fleming-Mason a certificate of public convenience and

necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor CFC had yet agreed to make them. Fleming-Mason advised the Commission on November 23, 1988 that the REA and CFC had agreed to issue loans to it.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Fleming-Mason, is necessary and appropriate for and consistent with the proper performance by Fleming-Mason of its service to the public, and will not impair its ability to perform that service.

2. Fleming-Mason is capable of executing its notes as security for the loan as stated herein.

3. Fleming-Mason should select the interest rate program resulting in the net lowest cost of money to it over the term of the financing.

4. Fleming-Mason should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Fleming-Mason's application.

6. Fleming-Mason should include in its monthly financial report to the Commission the current interest rate on its variable rate loans outstanding.

7. As the REA is an agency of the federal government, Commission approval of Fleming-Mason's proposed loan with REA is not required pursuant to KRS 278.300(10).

IT IS THEREFORE ORDERED that:

1. Fleming-Mason be and it hereby is authorized to borrow \$800,000 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Fleming-Mason, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Fleming-Mason be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Fleming-Mason shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

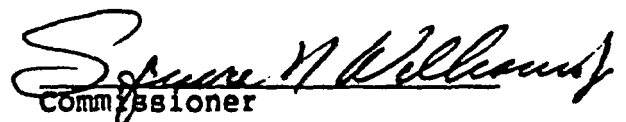
Done at Frankfort, Kentucky, this 13th day of December, 1988.

PUBLIC SERVICE COMMISSION

Chairman


Vice Chairman

ATTEST:


Commissioner

Executive Director